UNCORRECTED MATERIAL WEAKNESSES
STATUS OF CORRECTIVE ACTIONS

(TAB B-2)

Uncorrected Weaknesses Identified During This Period

Office of the Director of Administration and Management (ODA&M)

INFORMATION ASSURANCE (IA)

Description of the Issue	• The Office of the Secretary of Defense's (OSD's) Chief Information Officer (CIO) determined the OSD's information systems are potentially vulnerable to an information warfare attack. • The Department of Defense's "sensitive but unclassified" information systems and networks supporting finance, logistics, medical, procurement, personnel, research and development, and administrative activities have been the targets of numerous attempts to breach systems and disrupt activities. • The security of information, and the ability to have uninterrupted information support is a critical readiness issue for OSD. • The OSD information enterprise does not have an effective information assurance program to protect the OSD information systems and networks from internal and external threats.
Functional Category	Information Technology
Pace of Corrective Action	Year Identified: FY 2002 Original Targeted Correction Date: FY 2005 Targeted Correction Date in Last Report: N/A Current Target Date: FY 2005
Reason For Change in Date(s)	N/A
Component/ Appropriati on/ Account Number	Office of the Director of Administration and Management (Funded through Washington Headquarters Services (WHS)) 97*0100.2020 Operations and Maintenance (O&M), Defense Agencies Appropriation 97@0300.2020 Procurement (PROC), Defense Agencies Appropriation

($000s)

Title	Appn	FY2002	FY2003	FY2004	FY2005	C-T-C	Total
Systems Readiness Reviews	O&M	300	450	300	300	Recurring cost	1350
DITSCAP Support	O&M	750	0	200	200	Recurring cost	1150
Intrusion Detection Svc	PROC	0	UNFR	UNFR	UNFR	Periodic replacement	
Intrusion Detection Svc	O&M	0	UNFR	UNFR	UNFR	Recurring cost	

OSD Firewalls	PROC	1400	0	UNFR	UNFR	Periodic replacement	1400
OSD Firewall Mgmt	O&M	55	57	60	63	Recurring cost	235
OSD IAVA Program	O&M	50	50	50	50	Recurring cost	200
IA Training Pgm	PROC	0	UNFR	UNFR	UNFR	Recurring cost	
IA Training Pgm	O&M	0	UNFR	UNFR	UNFR	Recurring cost	

Appn= Appropriation   C-T-C= Cost to complete UNFR= Unfunded requirement
DITSCAP= DoD Information Technology Certification and Accreditation Process
IAVA= Information Assurance Vulnerability Alert   IA= Information Assurance

Validation Indicator

1. The protection of OSD information technology (IT) systems and IA is a recurring requirement. Full implementation of the management controls whereby all OSD IT systems are certified and accredited using the DoD Information Technology Certification and Accreditation Process (DITSCAP) will effectively mitigate the existing material weakness.
2. The Inspector General, DoD, (DoD, IG) validates OSD's DITSCAP progress for its Mission Critical and Mission Essential IT systems, as directed in the Government Information Security Reform Act of 2001 (GISRA).

Results Indicator

Certification of OSD networks and major applications is achieved when the following occurs:

1. The network/major application is 90% compliant with all DISA Information Assurance Vulnerability Alerts (IAVAs).
2. The network/major application is 90% compliant with all DISA System Readiness Review findings (100% with Category 1s).
3. The network/major application has a System Security Authorization Agreement (SSAA) approved by DISA.
4. The network/major application undergoes an annual DISA Security Assistance Visit (SAV) (i.e., physical security review) and adheres to and implements all SAV recommendations.
5. All unauthorized non-OSD network connections have been removed.
6. All authorized non-OSD network connections (e.g., DoD Planning, Programming and Budgeting System related) have documented Memorandums of Understanding or Connection Approval Packages on file with the OSD CIO.
7. OSD IT assets are verified via annual inspections conducted by the Director, Information Operations and Reports, Washington Headquarters Services.

Source Document

The following sources are the basis for determining the material weakness:
- OSD CIO Management Control Program Evaluation.
- DISA Security Readiness Review Database based on FY 2002 Defense Information Systems Agency (DISA) conducted OSD reviews.
- DISA Information Assurance Vulnerability Alert (IAVA)/Vulnerability Compliance Tracking System (VCTS) based on FY 2002 DISA conducted OSD reviews.

Progress to Date These significant actions and accomplishments occurred during FY 2002.

Enclave Security:
- Implemented a firewall upgrade at OSD's network boundary improving performance and allowing update of user Access Control Lists.

Network Security:
- Hardened OSD registry keys using DISA Security Technical Implementation Guidelines.
- Adherence to all vulnerability alerts sent by DoD's Computer Emergency Response Team through the DoD IAVA/VCTS.
- Bi-Annual submission of system diagrams and accreditation posture.
- Established ODITC as the Information Operations Condition for OSD. In this capacity, ODITC alerts OSD IT of all IA/IT threats.
- SSAA documentation for all OSD networks/major applications.

IA Management:
- Established an OSD IA policies and procedures
- Established an OSD IA Enterprise Budget
- Establishment of OSD IT Security Board
- Establishment of OSD IA Project Management Plan

IA Training:
- Establishment of training criteria for OSD Information Systems Security Managers and Information Systems Security Officers.
- Establishment of training criteria for OSD System Administrators.

Major Milestones The following Table indicates actions planned for FY 2003 through FY 2005 to correct the material weakness.

Enclave Security

• Remove unauthorized non-OSD network connections	Jun 2003
• Redesign OSD network Demilitarized Zones to secure sensitive information.	Jan 2005
• Implement hybrid Intrusion Detection Service (IDS).	Jul 2005

Network Security:

• Full compliance with DoD IAVA Program.	Ongoing
• System Readiness Reviews completed for all OSD systems.	Dec 2002
• Remove all non-OSD applications from OSD sub-enclaves.	Oct 2003

IA Management:

Develop an OSD IA Strategic Plan	Aug 2003

IA Training:

• Establish a web-based alternative to provide IA training to all OSD employees (general users, managers, executives, IT staff)	Jan 2004

Uncorrected Weaknesses Identified During Prior Periods

Title and Description of Material Weakness: *Disbursements in Excess of Obligations in the Defense-Wide (97) Accounts*.

- As of December 31, 1993, the Defense Finance and Accounting Service (DFAS) reported a number of appropriations in which disbursements exceeded obligations or account balances were negative.

- As of September 30, 2001, DFAS reported four such appropriations, but as of September 30, 2002, DFAS reported only one such appropriation:

Dept Code	Year	Appropriation	Year Identified	9/30/01 Amount	9/30/02 Amount
97	89/90	0400	FY 2000	$-1,394,178.43	$-1,226,102.43
97	97	0300	FY 2001	$ -64,618.16	-
97	95/97	0390	FY 2001	$ -961,560.05	-
97	01/02	0450	FY 2001	$ -4,962.97	-

Functional Category: Comptroller and/or Resource Management

Original Targeted Completion Date: FY 2001

Targeted Completion Date in Last Year's Report: FY 2002

Current Target Date: FY 2003

Reasons for Change in Dates:

- During FY 2002, DFAS Indianapolis conducted an exhaustive review of the 97 89/90 0400 appropriation and was able to reduce the negative balance by only $168,076.00, leaving a negative balance of $-1,226,102.43.

- In June 2002, the Director of Accounting Policy, Office of the Under Secretary of Defense (Comptroller) notified the Deputy Comptroller (Program/Budget) of a potential Anti-Deficiency Act violation in the 97 89/90 0400 appropriation.

- A representative of the Investment Directorate, Office of the Under Secretary of Defense (Comptroller) was sent to DFAS Indianapolis to conduct a preliminary review in accordance with DoD Financial Management Regulation ("DoDFMR"), Volume 14, Chapter 3 "Preliminary Reviews of Potential Violations."

- Preliminary review report is being prepared and will be coordinated with the Office of Deputy General Counsel (Fiscal). If it is determined that a potential violation occurred a formal investigation will be conducted in accordance with the "DoDFMR" Volume 14.

Component/Appropriation/Account Number:

Multiple Defense Agencies/Research, Development, Test and Evaluation, Defense-Wide Account 97 89/90 0400

Funds Budgeted to Correct the Material Weakness: None.

Validation Process: Accounts with negative balances are researched to determine the causes of the negative conditions, and required corrections are identified.

Results Indicator: The performance measure for this weakness will be the successful completion of reconciliation of these appropriations as indicated by the elimination of the negative balances.

Accounts with negative balances as of September 30, 2000	2
Accounts cleared during FY 2001	-1
New negative balances arising during FY 2001	+3
Accounts with negative balances as of September 30, 2001	4
Accounts cleared during FY 2002	-3
New negative balances arising during FY 2002	+0
Accounts with negative balances as of September 30, 2002	1

Sources Identifying Weakness: This weakness was first identified by the Office of the Under Secretary of Defense (Comptroller).

Major Milestones in Corrective Actions:

Date	Milestone
Complete	Identified appropriations that have negative balances.
Complete	Issued stop payment policy for account balances with disbursements in excess of obligations until corrections are made.
Complete	Policies and procedures put in place by the DFAS Indianapolis Center, as the single point of contact, for researching and correcting disbursements in excess of obligations in the Defense-Wide 97 accounts.
Ongoing	DFAS reviews all appropriations in which disbursements exceed obligations or account balances are negative to ensure necessary accounting corrections are processed expeditiously.
Complete	In November 2001, DFAS responsibilities are clarified to include notifying both the agency/component and the Investment Directorate, Office of the Under Secretary of Defense (Comptroller) of adverse negative conditions, stopping payment if applicable, researching and correcting the negative condition, notifying the agency/component and the Investment Directorate of the need for any additional funding, and advising when a potential violation of the Anti-Deficiency Act should be reported and investigated.
Complete	In November 2001, within the Office of the Under Secretary of Defense (Comptroller), the Investment Directorate assumes responsibility for directing the necessary corrective action for the accounts identified by DFAS as having adverse negative conditions.
Complete	During FY 2002, DFAS Indianapolis conducted an exhaustive review of the 97 89/90 0400 appropriation and was able to reduce the negative balance by $168,076.00, leaving a negative balance of $-1,226,102.43.
Complete	In August 2002, a representative of the Investment Directorate went to DFAS Indianapolis to conduct a preliminary evaluation of the situation.
FY 2003	Request an independent official to conduct a preliminary ADA investigation
FY 2003	The DFAS and Defense Agencies continue to research and correct out-of-balanced conditions.
FY 2003	Draft results of efforts and report the ADA violation if required.

Participating Organization: Defense Finance and Accounting Service (DFAS)

Point of Contact: Investment Directorate, Office of the Under Secretary of Defense (Comptroller), 703-695-2234